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Multnomah County Special Tax Levy

City Club of Portland (Portland, Or.)

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MULTNOMAH COUNTY SPECIAL TAX LEVY

Shall the board of county commissioners of Multnomah County, Oregon, be authorized to levy a tax for the fiscal year 1950-51 sufficient to produce \$2,443,000 over the 6% tax limitation? In the judgment of the board this sum is necessary in order to defray the mandatory and legal obligations of public assistance as well as carry on the essential services of the county in a normal manner. Authorization for this levy is necessary under Article XI Section 11 of the Constitution of the State of Oregon.

300 Yes, I vote for the levy.

301 No, I vote against the levy.

To the Board of Governors of the City Club of Portland:

Your committee was given the assignment of studying and reporting on the above special tax levy to be submitted to the voters at the primary election on May 19, 1950 under the above ballot title. In considering the measure, your Committee has interviewed F. H. Young of the Oregon Business & Tax Research Inc., and spent considerable time with the County Commissioners and their staffs. In so doing we have examined the proposed county budget, compared it with previous budgets and expenditures, studied statistics furnished by the County Commissioners and digested articles in the local press. Time did not allow detailed investigation of all items of the budget, but the general procedure of the county indicated a well controlled budget.

History

Without specific authorization of the voters the Constitution of Oregon prohibits an increase of real property tax in an amount more than 6% of the total amount levied in any one of the three years immediately preceding the proposed levy. This special levy was first voted in 1947. The main reason at that time was the increased cost of relief, the demand for more services because of population growth, rising prices, and increased salary levels. Since that time the welfare base has broadened, new wings have been added to the county hospital with increased operating expenses, and each additional year the budget has required an increased special levy over and above the 6% limitation. This year the increase in the special levy alone is \$468,000. By state law the county is compelled to levy 4½ mills for public welfare, ½ mill for the indigent soldiers' fund, \$10 per school child, and 1/20th of one mill for the county fair fund. These mandatory features amount to 40% of the total budget.

Estimate of Special Levy

1949-50% Tax Base	\$ 5,529,486.13
Add 6%	331,769.17
	<u>\$ 5,861,255.30</u>
Misc. revenues for General Fund (prior taxes, fees, for care of inmates, sale of produce, etc.)	\$ 1,541,400.00
Other revenue for Public Assistance (mostly from liquor sales)	349,355.32
Surplus cash carryover	500,000.00
	<u>\$ 8,252,010.62</u>
Requested budget	10,695,000.62
Special tax levy necessary	<u>\$ 2,443,000.00</u>

Reasons for Special Levy

1. Increase in public welfare requirements and indigent soldiers' fund. These requests have tripled since 1945.
2. Increase in staff and equipment of county hospital, particularly to put new wing into operation.
3. Increase in cemeteries' budget to cover new headquarters building at Lone Fir in order to serve all county cemeteries, and landscape work.
4. Increase in coroner's budget, principally for badly needed improvements at the morgue.

5. Increase in Public Library Fund to cover increased services and greatly needed retirement program.
6. Increases in salaries of county employees.
7. Limited increases in 25 other regular departments and services.

These increases are tabulated as follows:

Items With Major Increases	1949-50 Budget	1950-51 Budget	Increase
Public Welfare	\$2,399,304.00	\$ 2,782,556.00	\$ 383,247.00
Indigent Soldiers' Fund	316,736.44	403,682.94	86,946.50
County Hospital	1,052,947.74	1,301,761.92	248,814.18
County School Fund	886,760.00	953,350.00	66,590.00
Library	523,991.00	618,270.00	94,279.00
Cemeteries	60,177.50	133,512.50	73,335.00
Coroner's Office	39,407.72	97,906.20	58,498.48
Salary Adjustments		90,000.00	90,000.00
Total Above Increases			\$1,035,120.16
Total Net Increase in County Budget			\$1,147,158.25 or 12%

Comments on Increases

1. The Public Welfare Fund is mandatory to match state and federal money, and cannot be reduced under the present state law. This fund has tripled in five years from \$953,322.80 to \$2,782,556.00 and has become so enormous that it needs investigation.

2. The Indigent Soldiers' Fund is also a mandatory levy and has increased eleven fold in five years from \$34,420.62 in the 1945-46 budget to \$403,682.94 in the 1950-51 budget. While this is a mandatory $\frac{1}{2}$ -mill levy the County anticipates the demands on this fund plus cost of administration will exceed the receipts of this levy by about \$108,000 and has budgeted accordingly. Time did not allow us to investigate why this excess should be accepted and why there should be a separate fund and staff for indigent soldiers, but good judgment dictates further investigation on both points.

3. The mandatory levies account for approximately 40% of the total requested budget. If the special tax levy is not approved by the voters, cuts could only be made in what are considered normal county services. These cuts would mainly fall on:

- a. New cemetery and coroner buildings
- b. Hospital services
- c. Sheriff, assessor, auditor, court house, and school services
- d. Library services
- e. Salary adjustments
- f. Health department

Since the special levy of \$2,443,000.00 is approximately 37 $\frac{1}{2}$ % of that portion of the budget on which decreases could be made, this gives some idea of the average cuts that would have to be made in case the voters did not approve the levy. It is unfortunate that such services must be placed in a budget with inescapable mandatory items and consequently would be the only ones to suffer. It is the hope of the County Commissioners that the Welfare and Indigent Soldiers' Funds will be taken out of the 6% limitation by constitutional amendment. If such were the case, it would not be necessary to ask for a special levy since regular services could well be taken care of by income plus 6% and welfare could be levied on its needs as recommended by the State Welfare Commission.

One other suggested alternative which the committee has had no opportunity to consider or analyze, would be for the State of Oregon to levy all welfare funds so that the county would have no financial connection with welfare.

4. The County School Fund is levied on the basis of \$10 per student per year. This has, up to now, been paid by the state from income tax revenues, but with present state demands there is no assurance that such practice will be continued. The law requires, however, that this item be included in the regular levy, although it will not be collected if state funds are available.

5. The mandatory items of the budget increased \$543,053.50 or 15% while the balance of the budget increased \$604,104.75 or approximately 10%.

6. The population of the county has increased at least 50% since 1940.

Assessed valuation has doubled since 1940.

Total tax receipts have almost doubled.

The millage rate has shown a slight decline since 1940.

Conclusions and Recommendations

1. Your committee suggests that the County Budget, at least a tentative one, should be prepared by February 1. While the budget appears to be carefully drawn, it is prepared so late as to prevent any adequate study before tax levies are determined. Certainly such a schedule would permit a much better chance to inform the voters as to the reasons for a special levy.

2. Your committee suggests to the City Club that due to the enormous amounts necessary for County Welfare, a committee be appointed to make a thorough study of the entire County Welfare problem, including the possibility of having that part of the budget removed from the 6% limitation.

3. Your committee is convinced that failure on the part of the voters to pass the special levy would seriously injure the normal county service that we think of as essential.

4. Your committee recommends, therefore, that the City Club of Portland go on record as approving the passage of the special tax levy for Multnomah County.

Respectfully submitted,

HAROLD CAKE

MAURICE SUSSMAN

EARLE V. WHITE

GEORGE WHITTIER

ROBERT T. PLATT, *Chairman*

Approved by Allan Hart, Section Chairman, Legislation and Elections, April 28, 1950, for submittal to the Board of Governors. Received by the Board of Governors May 1, 1950, and ordered printed and submitted to the membership for discussion and action.

SCHOOL DISTRICT NO. 1 SPECIAL TAX LEVY FOR MAINTENANCE AND OPERATION FUNDS

For the reason that local revenue has failed to keep pace with the increased cost of maintenance and operation of the schools of the District, occasioned by substantial increases in the number of pupils in the schools and in the cost of necessary material, equipment, supplies and personnel; all sources of revenue other than a special tax levy fall by the amount of \$2,660,000.00 to meet the minimum financial requirements of the District for a normal school program for the 1950-51 school year; shall School District No. 1, Multnomah County, Oregon, in order to provide funds for the maintenance and operation of its schools, school plants and school facilities during the fiscal year commencing July 1, 1950, and ending June 30, 1951, make a special tax levy outside the limits imposed by Article XI, Section 11, of the Oregon Constitution in said fiscal year commencing July 1, 1950, in the amount of \$2,660,000.00?

600 Yes, I vote in favor of the proposed levy.

601 I vote against the proposed levy.

To the Board of Governors of the City Club of Portland:

Your committee has been authorized to study and report on the School District No. 1 special tax levy of \$2,660,000 to be submitted to the voters of the district at a special election on May 19, 1950, under the above ballot title.

In considering the measure your committee has interviewed Mr. George Baldwin, Secretary of the Tax Supervising and Conservation Commission of Multnomah County; Mr. F. H. Young of Oregon Business and Tax Research, Inc.; Mr. Andrew Comrie, Clerk and Comptroller of School District No. 1, and Mr. S. Eugene Allen, Chairman of the School Board. Your committee has also reviewed the proposed budget for the year 1950-1951 and compared it with the budget for the year 1949-1950.

Background

Without specific authorization of the voters, the Constitution of Oregon prohibits an increase of real property taxes in an amount more than six per cent (6%) of the total amount levied in any one of the three years immediately preceding the proposed levy. Because of this limitation the general basic levy is not adequate to meet the budgeted operating expenses chargeable to the district's general fund and accordingly the special levy is proposed.

BUDGET COMPARISON

School District No. 1, Multnomah County, Oregon
The Board of Education
Portland, Oregon

Summary of Estimated Receipts and Expenditures for July 1, 1950 to June 30, 1951

Particulars	Adopted 1949-1950 Budget	Increase or (Decrease)	Proposed 1950-1951 Budget
LOCAL PROPERTY TAXES			
General Basic Levy	\$ 5,544,266.00	\$332,655.00	\$ 5,876,921.00
Less — Estimated Delinquencies	462,392.00	(72,407.00)	534,799.00
Net Receipts	\$ 5,081,874.00	\$260,248.00	\$ 5,342,122.00
Delinquent Taxes	\$ 294,400.00	\$ 12,962.00	\$ 307,362.00
Special Levy	2,520,000.00	140,000.00	2,660,000.00
Less — Estimated Delinquencies	207,121.80	(34,938.20)	242,060.00
Net Receipts	\$ 2,312,878.20	\$105,061.80	\$ 2,417,940.00
Delinquent Taxes	\$ 60,000.00	\$ 59,560.00	\$ 119,560.00
Foreclosed Property Sales	160,000.00	(70,000.00)	90,000.00
County School Fund	745,180.00	45,180.00	790,360.00
STATE AID	2,838,833.00	118,579.00	2,957,412.00
FEDERAL AID	140,500.00		140,500.00
TUITION AND OTHER FEES	343,500.00	(51,212.00)	292,288.00
OTHER SOURCES	121,621.00	(46,621.00)	75,000.00
ESTIMATED SURPLUS FUND		204,000.00	204,000.00
ESTIMATED TOTAL RECEIPTS	\$12,098,786.20	\$637,757.80	\$12,736,544.00

Particulars	Adopted 1949-1950 Budget	Increase or (Decrease)	Proposed 1950-1951 Budget
SALARIES AND WAGES			
Principals, Teachers and Secretaries ...	\$ 7,097,320.00	\$683,602.00	\$ 7,780,922.00
Other Instruction	628,506.00	27,679.00	656,185.00
Custodians and Helpers	640,046.00	93,029.19	738,075.19
Administrative and Other	346,089.48	26,360.52	372,450.00
Retirement Contributions	536,233.72	(23,284.00)	512,949.72
Add. Teachers and Salary Adjustments ..	693,315.00	(545,315.00)	148,000.00
Salaries Subtotal	\$ 9,941,510.20	\$267,071.71	\$10,208,581.91
CONSUMABLE SUPPLIES			
Educational and Other	\$ 237,110.00	\$ 26,560.00	\$ 263,670.00
Fuel and Other	284,675.00	63,975.00	348,650.00
OTHER EXPENSE			
Utility Service	166,075.00	17,435.00	183,510.00
Auto Mileage	21,265.00	1,060.00	22,325.00
Miscellaneous	277,769.00	30,354.00	308,123.00
MAINTENANCE OF			
Equipment	115,730.00	15,275.00	131,005.00
Buildings	610,000.00	10,000.00	620,000.00
Grounds	56,000.00	4,000.00	60,000.00
CAPITAL OUTLAY			
Equipment	227,879.00	(15,436.00)	212,443.00
Buildings	106,489.00	223,511.00	330,000.00
Grounds	9,104.00	(4,104.00)	5,000.00
RESERVE FOR			
Emergencies	45,180.00	(1,943.91)	43,236.09
ESTIMATED TOTAL EXPENDITURES	\$12,098,786.20	\$637,757.80	\$12,736,544.00
Salaries % of Total Budget	82.1		80.1

School District Finances

The finances of the district are separated into four main operating funds: General, Debt, Postwar Construction and Building Fund. The Debt Fund is used to account for the revenues and expenditures in connection with retirement of the bonded debt and interest thereon. No debt levy was made in 1948-1949 or in 1949-1950 and none will be made in 1950-1951, there being sufficient moneys on hand to retire the outstanding bonds with interest.

On May 19, 1944, the people voted special five-year annual levies of \$1,000,000 for postwar construction, reconstruction and equipping of school plants. The last levy for this fund was made in 1948-1949.

On May 28, 1948, the people voted special ten-year annual levies of \$2,500,000 for a general building fund and of course this levy will be made for the year 1950-1951. The general operating fund is financed from the general basic levy, state aid, federal aid, tuition and other fees, civic use of buildings, athletic events, sale of property and other sources. It is the anticipated deficiency in this fund which is to be made up by the special levy.

Building Fund Needs

As the taxes for the Debt, Postwar Construction, and Building Funds are levied for specific purposes, they cannot be diverted for any other purpose such as the general operation of the district. The board of directors considers capital expenditures as a part of the normal operation of the district, and for this reason \$503,000 has been provided for this purpose in the general fund 1950-1951 budget, which is \$207,407 higher than the amount so provided in the 1949-1950 budget. In considering the 1949-1950 budget the Tax Supervising and Conservation Commission objected to a large appropriation for capital expenses in the general fund on the ground that these expenditures should be charged to the building fund. The school board's answer to this objection then and now is that there is an immediate need for building fund money and there is substantial doubt as to the ultimate sufficiency of the building fund to meet this need. In this connection your committee noticed that the 1950-1951 budget provides for a reserve in the building fund of only \$62,647.46. As an indication of the necessity for substantial additional building funds, your committee has been informed that the following new schools will be placed in full operation during the year 1950-1951: Astor, Chief Joseph, Swan Island, Fabian, and Glenhaven.

Salaries

There has been no general increase in salary schedule rates and there will be no cost of living increase during the year 1950-1951. However, an annual \$200 cost of living increase budgeted separately in 1949-1950 has been added to the salary schedule and this, plus the annual increment automatically granted to teachers until they reach the maximum schedule rate, provides generally for a salary budget of \$7,780,922, which is \$683,602 greater than the 1949-1950 figure.

General

The 1950-1951 special levy of \$2,660,000 is \$140,000 higher than the levy of \$2,520,000 for 1949-1950. The 1950-1951 budget discloses that the entire amount of the special levy is needed to meet anticipated operating expenses and no one particular reason is responsible for the increase in the special levy over that of 1949-1950.

Under date of March 27, 1950, the office of the School Superintendent published an information bulletin supporting the levy. This bulletin includes statements to the following effect:

(1) The number of new pupils in the year 1950-1951 will exceed those enrolled this year by approximately 2000 which will require at least 50 new teachers and this in turn means extra classrooms, equipment, supplies and service;

(2) Although the Portland salary schedule compares favorably with schedules in cities of comparable size, most of the smaller communities in the state have higher beginning salaries. The demand for teachers is still greater than the supply. Portland must not only obtain 50 new teachers but replace a turnover last year of 244. This emphasizes the need to maintain present salary schedules;

(3) If the levy fails it will be necessary to reduce the salary schedule (salaries are 80.1% of the total budget of \$12,736,544) and this would mean an estimated exodus of some 500 teachers or approximately 20% of the teaching staff.

Tax Burden

Your committee is informed that in 1949-1950, School District No. 1 had a lower millage rate than any other first class district in Oregon, with an assessed rate of 19.9 mills and a true value rate of 11.9 mills.

The city with the highest assessment rate was Bend with 66.9 mills (true value rate 26.8 mills) and the city with the highest true value rate was North Bend with 31.7 mills (assessed value rate 52.8 mills).

Results from Failure of Special Levy

In its 1948-1949 annual report the Tax Supervising and Conservation Commission of Multnomah County had this to say about the 1949-1950 special levy of School District No. 1:

"Normal annual revenues for the general fund are insufficient to meet necessary expenditures and beginning with the fiscal year 1947-48 the district with voter approval has annually levied a special tax for this fund. While there has been a substantial majority voting in favor of these levies, there is always the possibility that a change of attitude may develop. Failure in any year of the special levy to be approved would necessitate a reduction of the school program.

The dependence on special levies for current operation is the only weak point in an otherwise excellent financial condition. All expenditures, including capital expenditures are on a 'pay as you go' basis, and, as noted above, money on hand in the debt fund on June 30, 1949, was sufficient to liquidate the outstanding bonded indebtedness."

The School District's revised budget for 1950-1951 was issued on or about March 20, 1950, and has not yet received the consideration of the Conservation Commission. Your committee is of the opinion, however, that the foregoing comments of the Commission with respect to the 1949-1950 budget apply equally to the budget and special levy proposed for 1950-1951.

Conclusion

The proposed budget, including the special levy, appears necessary to permit the continuance of the School Board's program for growth and improvement.

Recommendation

Your committee recommends that The City Club of Portland go on record as approving the passage of the School District No. 1 special levy for maintenance and operation.

Respectfully submitted,

GEORGE B. CAMPBELL

RAYMOND M. KELL

PETER TWIST

J. R. WILSON

RICHARD DEVERS, *Chairman*

Approved April 24, 1950, by Allan Hart, *Section Chairman*, Legislation and Elections, for transmittal to the Board of Governors. Received April 26, 1950, by the Board of Governors and ordered printed and submitted to the membership for discussion and action.